

Empowering Women Through Microfinance

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“At first, my family members did not count me worthy to be called when there was a problem or decision-making, but now through SAT I am numbered among human beings.”

--Margaret Asare, a microfinance client of Sinapi Aba Trust in Ghana

Microfinance is now a proven strategy for reaching poor women. The Microcredit Summit Campaign reports that 14.2 million of the world’s poorest women now have access to financial services—accounting for nearly 74% of the 19.3 million poorest served by microfinance. Yet women in Eastern Europe and the Near East lag far behind their sisters in the rest of the world, with 54% and 27% of services¹ respectively. And throughout the industry there is still a schism between larger individual loans, which are more often for men, and smaller group loans, which predominately serve women. Further, microfinance institutions often lack women in governance, management and operations, meaning that women’s voices and perspectives are not always incorporated into the design and implementation of products and services.

There are good reasons to target women. Gender equality turns out to be good for everybody. The World Bank reports that societies that discriminate on the basis of gender have greater poverty, slower economic growth, weaker governance, and a lower standard of living.² Women are poorer and more disadvantaged than men. UNDP’s oft-quoted 1995 Human Development Report found that 70% of the 1.3 billion people living on less than \$1 a day are women. Studies in Latin America, and elsewhere, show that men typically contribute 50 to 68% of their salaries to the collective household fund, whereas women “tend to keep nothing back for themselves.”³ Because “women contribute decisively to the well-being of their families,”⁴ investing in women brings about a multiplier effect. Finally, every microfinance institution has stories of women who not only are better off economically as a result of access to financial services, but who are empowered as well. Simply getting cash into the hands of women (by way of working capital) can lead to increased self-esteem, control and empowerment by helping them achieve greater economic independence and security, which in turn gives them the chance to contribute financially to their households and communities.

Yet while cash-in-hand can have these impacts, it doesn’t always. Empowerment is about change, choice and power. It is a process of change by which individuals and groups with little or no power gain the power and ability to make choices that affect their lives. The ability of a woman to transform her life through access to financial services

¹ In USAID-supported microfinance programs.

² World Bank. *Engendering Development: Through Gender Equality in Rights, Resources, and Voice—Summary*. (Washington: World Bank, 2001) www.worldbank.org/gender/prt/engendersummary.pdf.

³ Sylvia Chant. “Women-Headed Households: Poorest of the Poor? Perspectives from Mexico, Costa Rica and the Philippines.” *IDS Bulletin* 28:3 (1997): 39.

⁴ Opportunity International Statement of Intent Regarding Poverty and Women.

depends on many factors—some of them linked to her individual situation and abilities, and others dependent upon her environment and the status of women as a group. Microfinance programs can have tremendous impact on the empowerment process if their products and services take these circumstances into account.

While many microfinance institutions seek to empower women as an implicit or explicit goal, others believe they cannot afford to focus on empowerment because it is incompatible with financial sustainability or because it detracts from the core business of providing financial services. We recognize that there are trade-offs when providing a range of services. Yet our research also shows ample evidence of efficient, sustainable microfinance institutions whose programs are intentionally empowering. In some cases, it is through a commitment to excellent customer service, including people at all levels of the organization treating clients with respect. In other cases, “soft” services such as health education, literacy training or business training can be packaged with financial services in a way that creates “economies of scope” and powerful synergies, and can even help reduce client exit and arrears.⁵ It is worth looking at several institutions that are both focused on empowerment and are financially self-sufficient, such as Working Women’s Forum (WWF) in India, which organizes women to achieve better wages and working conditions; ADOPEM in the Dominican Republic, which provides business training and training on democratic processes and civil society; and OMB in the Philippines, whose commitment to holistic transformation includes leadership training, personal development, and business training.

For this paper we surveyed 60 microfinance institutions and Opportunity International’s 42 partners, as well as doing in-depth research with our partner Sinapi Aba Trust (SAT) in Ghana to look at when, how and why women are empowered. We found strong evidence that microfinance institutions contribute to women’s empowerment. One consistent finding was increased self-confidence and increase self-esteem. Another was women’s increased participation in decision-making. Women’s Empowerment Project in Nepal, for example, showed 68% of women experienced an increase in their decision-making role in the areas of family planning, children’s marriage, buying and selling property, and sending their daughters to school.⁶ World Education found that the combination of education and credit put women in a stronger position to ensure more equal access for female children to food, schooling and medical care.⁷ Other studies showed increased ability to make purchasing choices, manage household funds, and manage enterprise funds.

Women clients have also experienced improved status and gender relations in the home. At SAT, we found that women’s financial contributions helped them earn greater respect from their husbands and children, negotiate husbands’ help with housework, and avoid

⁵ See Christopher Dunford’s paper “Building Better Lives: Sustainable Integration of Microfinance with Education in Child Survival, Reproductive Health, and HIV/AIDS Prevention for the Poorest Entrepreneurs” commissioned by the Microcredit Summit Campaign.

⁶ Jeffrey Ashe and Lisa Parrott. *Impact Evaluation of PACT’s Women’s Empowerment Program in Nepal: A Savings and Literacy Led Alternative to Financial Institution Building*. (Cambridge, MA: Brandeis University, 2001) 8.

⁷ Helen Sherpa. World Education response to email survey. October 20, 2001.

family quarrels over money. We also found increased respect from and better relationships with extended family and in-laws. While there have been some reports of increased domestic violence, Hashemi and Schuler found a reduced incidence of violence among women who were members of credit organizations than among the general population.⁸ WWF found 41% of its members who had experienced domestic violence were able to stop it due to personal empowerment, and 29% were able to stop it through group action.⁹

Several studies show that women perceive more respect from their communities than they did before joining a microfinance program. They also show women taking greater roles in giving advice within the community, organizing for social change, and participating in community meetings—in part because they are now able to contribute financially to community needs and activities such as funerals. A number of programs have also found increased political participation, including involvement in civic action and women clients being elected to office. As Sebstad and Cohen report, “lending groups provide a means for women to know and be known by other women; a forum for learning leadership and public speaking skills; and a basis for development of trust, friendship and financial assistance.”¹⁰ In the business arena, SAT clients experienced improved relationships with suppliers and customers, more strategic planning and pricing, and diversification and expansion into more profitable product lines.

We also looked at negative impacts and limitations to empowerment. A number of studies show an increase in women’s workloads as they expand their businesses and participate in microfinance meetings. Some women have reported ill health and exhaustion. But in the Small Enterprise Development Programme in Bangladesh, Naila Kabeer found that the majority of women who experienced an increased workload were happy to make that choice and felt that the benefits outweighed the costs of participation.¹¹

Much attention has been paid to the issue of loan pass-through, in which women receive a loan and hand it over to their husband or another male in the household. Goetz and Gupta¹² found that an average of 39% of women had little or no control over their loans in the four Bangladesh programs they studied. However, Helen Todd points out that this means that 61% of women have partial or full control, which is a striking improvement over “the kind of powerlessness with which these women begin.”¹³ Several studies also

⁸ Hashemi, Syed, Sidney Schuler, and Ann Riley (1996) “Rural Credit Programs and Women’s Empowerment in Bangladesh.” *World Development* 24:4 (1996): 635-653.

⁹ Working Women’s Forum. *Social Platform Through Social Innovations: A Coalition with Women in the Informal Sector*. Chennai, India: Working Women’s Forum, 2000, p. 22.

¹⁰ Sebstad, Jennefer and Monique Cohen. *Microfinance, Risk Management, and Poverty*. Washington: CGAP, 2001.

¹¹ Naila Kabeer. ‘Money Can’t Buy Me Love’? *Re-evaluation Gender, Credit and Empowerment in Rural Bangladesh*. IDS Discussion Paper 363. (Brighton: Institute of Development Studies, University of Sussex, 1998) 31.

¹² Goetz, Anne Marie, and Rina Sen Gupta. “Who Takes the Credit? Gender, Power, and Control over Loan Use in Rural Credit Programs in Bangladesh.” *World Development* 24:1 (1996): 45-63.

¹³ Interview with Helen Todd in Countdown 2005 Newsletter, Microcredit Summit Campaign, September 1998.

show joint decision-making about business investments between women clients and their husbands.

We also found limitations to empowerment, including limits to the level and kinds of change in women's social status; decision-making power limited to making small purchases or other smaller decisions; clients' husbands withdrawing their support from the household, and women hiding their savings or even their businesses from their husbands because they fear that would happen. As well, we are concerned that throughout the industry the "poverty-focused" products tend to be the women's products, with women continuing to be clustered in lower return businesses.

One of the things we hoped to learn was which specific activities are most cost-effective in bringing about women's empowerment. While we found that information hard to come by, we did find a number of programmatic practices that are worth looking at, including business training, investing in women's general education and literacy, providing guidance in balancing family and work responsibilities, providing a forum for dialogue on social and political issues, such as women's rights and community problems, giving women experience in decision-making, and promoting women's ownership, control and participatory governance in their microfinance programs.

Other promising practices include organizational strategies to increase gender sensitivity, gender equity and resources for empowerment; strategies to promote excellent customer service; "credit with education" strategies geared to the special needs of women; business development services; strategies to encourage community participation and leadership; new products such as asset-based loans specifically designed for women; and impact assessment that disaggregates data by gender.

Microfinance programs have been very successful in reaching women. This gives microfinance institutions an extraordinary opportunity to act intentionally to empower poor women and to minimize the the potentially negative impacts some women experience. We therefore conclude with a call to action.

We would like to see practitioners:

- Gather information on women's needs and design products specifically to meet those needs. This has been a strength in the industry that should not be lost as we grow. A particular need is individual lending products and graduation strategies.
- Incorporate programmatic elements such as training or leadership opportunities that contribute to women's empowerment.
- Track empowerment benefits along with institutional financial performance and economic impact indicators.
- Bring women and women's perspectives into the governance, management, and implementation of microfinance programs.
- Review human resources and other organizational policies to ensure gender sensitivity and gender equity.

- Collect gender disaggregated data for use in the design and improvement of programs.

We would like to see donors:

- Support holistic approaches to microfinance as part of an on-going commitment to innovation, research, and development.
- Conduct and support action research on best practices in empowering women.
- Promote women in leadership in the MFIs they support.

Consider empowerment impacts when evaluating microfinance program performance.